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## NOTES AND MEMORANDA

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### THE *RÉGIE INTÉRESSÉE DU GAZ* AT PARIS

THE exclusive monopoly granted in 1855 to the Paris Gas Company expired at the end of the year 1905. The fifty-year franchise had proved defective in several respects, and during the latter part of the concession the relations between the company and the municipality had been strained. Opposition in the municipal council to further private monopoly of the gas supply was sufficiently strong to prevent the issue of a new franchise to the old or any other gas company. Political conditions in the French parliament prevented the adoption of a policy of municipal ownership and operation, or, as the French would say, *régie directe*. The result was the adoption of a peculiar compromise, to which the French give the name of *régie intéressée*.

This compromise vests the title to the gas plant in the municipality. The operation of the plant, together with an interest in the profits, is confided to a general operator or *régisseur*. Yet the arrangement cannot accurately be described as a lease. The municipality not only has prescribed in advance a schedule of rates and a procedure for the division of profits but also has retained the power to alter the rates, as well as the scale of wages and general conditions of employment. The discretionary authority of the *régisseur* is so restricted, and the procedure for the division of profits so peculiar, that the arrangement partakes less of the nature of a lease than of direct municipal operation. Indeed the *régisseur* may be regarded as a public business manager, employed under a profit-sharing plan, designed to afford him an incentive to the exercise

of the same personal initiative as under private ownership. The circumstance that the arrangement was satisfactory to the opponents of direct municipal operation indicates at least that it apparently preserved the reputed advantages of private enterprise in the supply of gas.

This plan is sufficiently interesting to merit more detailed notice. By its terms the management of the gas service in Paris was to be entrusted for a period of twenty years to the most favorable bidder. This personage was to organize a company and raise a working capital of thirty million francs. Five millions of this should be deposited with the municipality as security for the fulfilment by the company of its obligations. All additional capital should be raised as required by the municipality itself. The operating company should defray all operating expenses, maintenance charges, and taxes out of the proceeds of the sale of gas. Eventual differences of opinion as to which items should be charged to operating expenses, and which to the capital account, should be determined by the prefect after a hearing at which both parties, that is, the company and the municipality, should be represented. Elaborate provisions were made to avoid any such misunderstandings at the commencement of operations, or subsequently. The price of gas was fixed at the beginning at 15 centimes per cubic metre for gas consumed for municipal purposes (the same price as that established in 1855), and at 20 centimes for other gas (two-thirds of the price established for private consumers in 1855). This price should be reduced by not less than one-half of one centime per cubic metre whenever it should appear that the share of the profits accruing to the city from the operations of the preceding year would have been more than twenty million francs, had the reduced rate been in effect throughout that year. How this share of the profits should be computed will be explained directly.

Before the operating company might lay claim to any profits, it must first provide (a) for the interest and amortization of the loans made by the municipality for the pur-

pose of reducing the price of gas in 1903 and of acquiring the gas company's equity in its plant in 1906; (b) for the interest and amortization of any additional loans that might be made to finance the future expansion of the gas system; (c) a sum sufficient to bring the return on the five millions of securities deposited by the company with the municipality up to five per cent; and (d) a sum equal to one-twentieth of the profits of the operating company, to be set apart as a reserve. The surplus receipts, or net income, should then be divided between the company and the municipality in the following manner:—first, the company should receive a sum sufficient to pay five per cent on that part of its capital not deposited in the form of securities with the municipality. This sum, however, would be diminished, if the company should fail to supply gas of standard purity, pressure, and illuminating and heating power, or fail in certain other respects properly to fulfil its obligations towards the municipality. Secondly, whenever the conditions for the reduction of the price of gas should be fulfilled, even if the city should not choose to take advantage of that fact and demand a reduction of the price, the company should receive a supplementary sum of 150,000 francs per annum thereafter until the end of its term, nor might such supplementary sums be thereafter diminished if the share of the profits accruing to the city should for any cause fall below twenty million francs, unless it should fall below sixteen million francs. In that event, all supplementary payments to the company must be suppressed. If the net income of the city from the gas service should fall below fourteen million francs, the return to the operating company upon its capital must be reduced from five to four per cent. Thirdly, the rest of the receipts of the company, after the preceding payments have been made, must be paid to the municipality as its share of the profits. Finally, the city reserved the right to denounce the arrangement at certain specified dates before its expiration upon payment of a stipulated indemnity to the company.

Apparently all possible contingencies were anticipated and provided against. The arrangements for the sharing of profits and the reduction of rates are certainly ingenious. Yet no ingenuity can anticipate the unpredictable. If the unexpected should happen, the city has in reserve one drastic means of protection in its power of repurchase. That the arrangement was satisfactory to investors is attested by the fact that no less than thirteen bids were received from prospective *régisseurs*. The successful bidder obtained from the municipality an assurance that any additional charges which might arise through the increase of wages or improvement of the conditions of employment would be met by the city itself. This bidder was selected from among five who submitted equally favorable bids by the device of requiring each to send in a sealed proposal offering to relinquish a percentage of the supplementary profits to be earned by eventual reductions in the price of gas. The competitor consenting to relinquish the largest percentage was awarded the prize.

This arrangement was the culmination of a long experience with public service corporations on the part of the municipal authorities of Paris. They were among the first deliberately to choose the policy of regulated private monopoly in such businesses as the supply of gas, and under Napoleon the Third special limited franchises were granted to the leading public service corporations of Paris, providing for the most effective control that his skilled prefects could devise. The French have been reluctant to abandon this policy of controlling monopolistic corporations through the instrumentality of special limited franchises, yet the necessity of more effective control has forced the development of the gas franchise into this peculiar form of a *régie intéressée*. This probably illustrates the kind of arrangement that any municipality is likely eventually to reach, which refuses to accept a policy of direct municipal operation, or of effective control through a public service commission. The disadvantages of the *régie intéressée* as a mode of control are obvious. That it possesses any com-

pensating advantages over the alternatives of municipal ownership and direct municipal operation or regulation by a commission remains to be demonstrated. The chief significance of the arrangement lies in the evidence it affords of the failure of the policy of control through limited franchises.

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### PROGRESS OF THE AUTOMATIC LOOM

Among the recent inventions of cotton-mill machinery none is more significant than the automatic loom. In spite of the scepticism still shown in certain quarters, the day for the general acceptance of some type of automatic loom for weaving cotton cloth appears to be close at hand. An automatic loom, it may be explained, is one in which the shuttle, which carries the weft or thread crosswise of the cloth, is either automatically replenished or automatically replaced, without assistance from the weaver or stoppage of the machine. It thus becomes possible for a loom, barring accidents, to run continuously, instead of being brought to a standstill each time the thread on the bobbin in the shuttle is exhausted. In the ordinary loom, a fresh bobbin must be supplied every seven or eight minutes; hence stops are frequent. In the following paragraphs the recent progress of automatic looms is outlined and points of interest to economists are indicated.

The history of automatic looms centers around the Northrop invention developed by the Draper Company of Hopedale, Massachusetts. The Northrop loom, as offered to the trade in 1894, was the result of the efforts of five inventors, deliberately applied for fifteen years to the task of rendering practical the ideas brought to this country by Northrop. It has been described in a previous article;<sup>1</sup> hence it is not

<sup>1</sup> M. T. Copeland, *Technical Development in Cotton Manufacturing since 1860*, *Quarterly Journal of Economics*, November, 1909.